



The Educational Book Market in Germany

Sebastian Koehler
U.S. Commercial Service Germany
January, 2006

INTERNATIONAL COPYRIGHT, U.S. DEPARTMENT OF COMMERCE AND U.S. DEPARTMENT OF STATE. ALL RIGHTS RESERVED OUTSIDE OF THE UNITED STATES.

Summary

The book market in Germany is showing signs of recovery from its previous downward trend. With increased sales in 2004 and a continuation of this upward trend in the first two quarters of 2005, prospects for the coming years are positive. Leaders in the market continue to be fiction, children's and teen literature, and school and educational books. These book categories are also predicted to be the largest growth segments in the 2006 book year. The positive developments and the position of the United States as an important source of books for Germany offer valuable opportunities for U.S. exporters and publishers looking to enter the market or license their catalog.

Market Overview

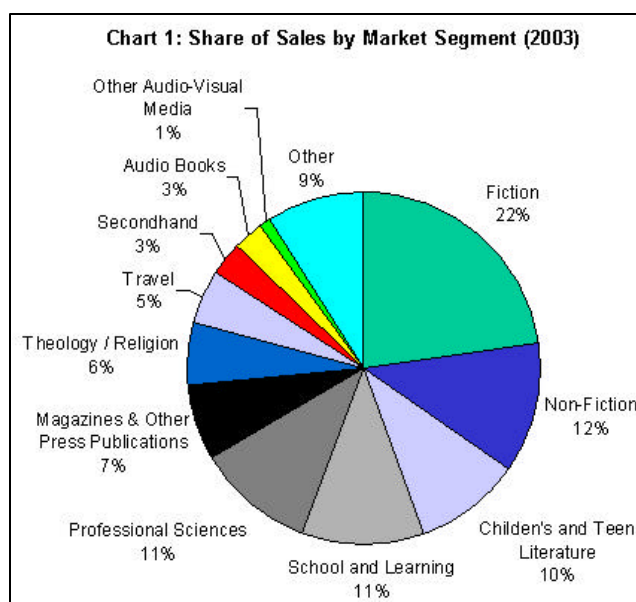
The German Book Market

The three German-speaking countries, Switzerland, Austria and Germany form a single market in the book trade. In terms of market volume, the German-language book market is one of the largest in the world. In fact, more books are published in German each year than in any language apart from English and Chinese. Considering that Switzerland and Austria import more than 80 percent of books – with Germany as their major import source – Germany dominates book production and sales in this joint market.

With over 80,000 new and reprinted titles entering the market every year, Germany is among the world's leading book producers. According to the German Publishers and Booksellers Association (Börsenverein des Deutschen Buchhandels), the total number of books produced by German publishers in 2004 amounted to over 963 million. The book trade in Germany also generated total sales of around EUR 9.1 billion (USD 11.3 billion) including professional and academic journals as well as audio-visual media, representing one-third of the total EU markets. Though a minimal increase compared with 2003, this is an encouraging sign of recovery from the downward trend of the previous years.

The economic recession in Germany not only led to a decline in sales figures in the book trade but also had an impact on publishing, with title production decreasing significantly in 2002 and 2003. The losses experienced in these two years led to structural changes in the publishing industry as a whole, resulting in mergers among publishing houses and downsizing by major market players. However, German publishers were able to report a 0.5% increase in book sales in 2004, which totaled at EUR 5 billion (USD 6.2 billion). In addition, title production reached an unprecedented number with over 86,543 titles produced, including 74,074 first editions – again, pointing to the recovery of the market.

Fiction books remain the market leader with a 14 percent share of new titles, followed by German literature. Together, school and educational books (excluding professional and texts) ranked third with almost 8 percent. Children's and teen literature, which has had substantial growth in recent years, also had a strong share of new titles in 2004. In terms of total production, popular fiction and non-fiction top the list with 29 percent followed by schoolbooks with 12.9 percent. However, these figures do not reflect the market significance of the respective segments, as they reflect sales in volume and not in value terms. Although a complete overview is not yet available for 2004 or 2005, share of sales by segment for 2003 are shown in chart 1.



Source: German Publishers and Booksellers Association. *The Book Trade in Numbers 2005*. July 2005.

Independent bookshops dominate the retailing sector in Germany. In 2004, sales by traditional bookshops accounted for 55.8 percent of total market revenue. However, there has been a trend toward larger retail formats. Direct sales by publishers to the end-customer also have a strong share of total sales. More and more Germans are buying books on the Internet, and e-commerce now accounts for 5 percent of all book sales, leading the German book market in terms of growth. Amazon.de is the leader in this channel with an estimated share of more than 50 percent of all Internet sales. In an effort to increase sales, a large number of bookstores have launched their own electronic branch on the Internet.

Statistics collected by the market research firm GFK International offer a view of book sales by edition format. For 2004, hardcover books made up 71 percent of sales in the German market, followed by paperback with 25.1 percent and audio books with 3.2 percent. Although still a niche market in Germany, the audio book product group has been booming in recent years. Fiction accounted for almost half of all audio book sales in 2004, followed by children's and teen literature. On the other hand, sales shares were divided relatively evenly across the individual market segments for hardcover books. In the school and educational book segment, hardcover books actually took second place behind audio products.

Table 1: Segment Share of Sales by Edition Format (2004)– in Percent			
	Hardcover	Paperback	Audio
Fiction	18.4	65.4	47.6
Non- Fiction	20.4	9.6	7.5
Children's and Teen Literature	14.0	7.4	24.5
School and Learning	11.9	.8	12.4
Other	35.3	16.8	8.0

Source: German Publishers and Booksellers Association. *The Book Trade in Numbers 2005*. July 2005.

The Educational Book Market

In 2003, there were just over 12 million students in Germany with 800,000 teachers in 50,000 schools. In the same year, the school and educational book segment had a sales volume of EUR 1 billion (USD 1.13 billion), making it one of the most important segments in the German book market.

One challenge of marketing and distribution in the school and educational book segment is the decentralized structure of the German education system. The responsibility for primary and secondary education rests with the state and local authorities. Because public schools are subject to state regulations, not federal, there are considerable differences between states in terms of standard and curriculum. Given the small number of private schools in Germany, the great majority of students attend public schools. Public school funding derives primarily from the state level as well. Attendance at public schools is free of charge; textbooks and other supplies are generally provided for loan during the school year.

On a national level, education efforts are coordinated through the federal education ministry, which has a set of voluntary standards for secondary level school forms and guidelines for a common curriculum, all of which are implemented by the individual states. Another mechanism by which education is standardized is through the regulation of textbooks. The state education ministries publish lists of approved textbooks, from which schools must select their books.

Although the number of private schools in Germany is relatively small, there are around 20 international schools throughout the country. The majority of these schools provide instruction in English, possibly offering U.S. exporters of school and educational books greater opportunity in the German market than the public sector. Sales prospects in terms of private consumer retail are also positive for U.S. firms. In recent years, sales to private consumers have formed the bulk of book sales in Germany. The main contributing factor has been lower public spending on schoolbooks – a gap that, by and large, is being filled by greater private spending on educational and other books.

Market Trends

The German book industry started the 2006 book year with improved confidence in the market. In a survey conducted by the German Publishers and Booksellers Association in November 2005, 21 percent of German booksellers anticipated very good to good sales for the year and 60 percent assumed moderate growth. Along with fiction and children's and teen literature, the school and educational books segment is expected to have the strongest growth in 2006. Around 30 percent of those retailers surveyed stated that sales in these categories had already begun rising in the first half of 2005. Sales to private consumers of school and educational books rose even further at the beginning of summer 2005.

There is considerable demand for English language books in Germany. Not only is English the first foreign language in German education, but it is also one of the most widely spoken foreign languages in the country. In 2003, around 8 million school children were enrolled in English language courses. Furthermore, all primary schools in Germany are now required to provide foreign language courses as part of their main curriculum starting at the 3rd grade level. In fact, some primary schools in Germany offer foreign language courses as early as the 1st and 2nd grades. In both cases, English is the foreign language most widely available. In 2003, the EU also estimated that over 40% of the population in Germany speaks English as a foreign language. As these statistics demonstrate, learning English, especially from early childhood, has become

increasingly important in Germany – a fact that will continue to drive demand for English language books in the German market.

The extent to which public spending will affect overall schoolbook sales in the next two years, however, remains uncertain. Although Germany made positive gains on the 2003 Program for International Student Assessment (PISA), the shock of student's poor performance on the previous survey continue to drive pressure for change in the structure of Germany's education system as well as demand for increased education funding. In a recent report from the Organization for Economic Co-Operation and Development (OECD), which also carries out the PISA study, Germany was found to spend significantly less on education than other industrialized nations, especially on the first few years of schooling. With the 2006 PISA study just around the corner, argument has again focused on public savings measures in education and the need for greater funding, which could indeed have a positive impact on the school and educational book segment.

Import Market

The United States is one of the most important import sources for books in Germany. For the last decade, the majority of book imports into Germany came from the United States. However, the U.S. share of imports has been decreasing in recent years. In 2002, book imports from the United States totaled EUR 106 million (USD 100 million), a slight decline over the previous year. In contrast, book imports from the UK increased by 26 percent, reaching a total of EUR 100 million (USD 95 million). In 2003 the UK was able to increase its book exports value to Germany to EUR 126 million (USD 142 million), while U.S. exports into Germany decreased by a further 26 percent, replacing the United States as the most important source for imports of books. This shift is not only attributed to the release of the fifth Harry Potter book but also to changes in international distribution generally. Nonetheless, the United States is expected to remain a leading import country in the German book market.

Next to imports, licenses play an important roll in the German book market. In 2004, 7.6 percent of new publications in Germany were translations – making a total of 5,406 titles newly translated into German from other languages. However, this is a drastic decrease from the 12.3 percent of the previous year. New translations from the English language continue to account for more than half of the market followed by 10 percent from French. All other languages stand at quite a distance behind. In terms of the most important book categories, fiction is again in demand with a 40 percent share of new translations. Children 's and teen literature have a remarkable 17 percent share of translated titles - translations also account for 17 percent of this segment. On the other hand, the school and educational book segment comprises a mere 2 percent of translations into German.

Competition

The previous downturn of the book market in Germany had a significant impact on the competitive structure of publishing. Due to declines in book sales and subsequent losses experienced by publishers, the market is in an ongoing process of consolidation. This strategy is pursued both by mergers and acquisitions, as well as of focusing on a smaller number of core competencies, involving divestments in one subject area accompanied by acquisitions in other areas.

Of the 20,000 firms involved in the book trade in Germany, around 1,900 publish and distribute books and professional or academic journals. The largest publishers in Germany are specialized publishing houses such as Springer Science+Business Media, Cornelson Publishing Group, Ernst Klett Group, and Süddeutscher Verlag Hüthig. Cornelson and Klett are also the leading educational publishers in Germany. Both international publishers serve a market that extends from primary school to continuing education.

Table 2: Top Educational Publishers in Germany			
	2004 Sales (Million Euro)	2004 Sales Growth (Percent)	Product Groups
Cornelsen	339	0	School & textbooks, reference & teaching materials, software
Ernst Klett	330	2.9	School and textbooks, reference & teaching materials, software
Westermann	214.4	3.8	School and textbooks, atlases, magazines
Langenscheidt	85.5	1.8	School & textbooks, reference & teaching materials, software, travel guides

Source: Harenberg. "The Top 100 Publishers." *Buchreport*, April 2005. (www.harenburg.de)

Market Access

Although bound books (including children's picture books) imported into the EU are not subject to customs duties, in Germany the importer is required to pay a 7% tax on purchases based on the cost of the goods with insurance and freight included (C.I.F. value). As with all consumer goods, once sold into the local German market this cost becomes the burden of the consumer in the form of a value added tax. A price control system is in effect in Germany, obligating publishing houses and intermediate sellers to supply only those retailers who maintain fixed retail prices. In Germany, almost all new titles have a fixed retail price set by the publisher of the book. Under the book price fixing law, German book retailers are thus prevented from discounting new publications. However, fixed prices apply to German publishers' titles only, allowing importers to offer competitive discounts. The success of book discounting in Germany has revealed the price consciousness of book consumers. In this respect, U.S. exporters can offer retailers a competitive advantage in the market. Of course, success in the German market requires long-term commitment to market development if U.S. companies are to overcome their geographic disadvantage with respect to European competitors.

Opportunities for Profile Building

Organizations & Associations

Nearly all facets of doing business in Germany have a relevant industry or trade association that can often serve as a suitable point of contact when trying to establish a partnership.

German Publishers and Booksellers Association

(Börsenverein des Deutschen Buchhandels e.V.)

Grosser Hirschgraben 17-21

60311 Frankfurt am Main

Tel.: +49 (0) 69 / 1306-0

Fax: +49 (0) 69 / 1306-201

www.boersenverein.de
Email: info@boev.de

Association of German International Schools e.V.

Sigmaringer Strasse 257
70597 Stuttgart
Tel.: +49 (0) 711 7696 00 73
Fax: +49 (0) 711 7696 00 12
www.agis-schools.org
Email: info@agis-schools.org

In promoting their products in Germany, exporters must also comply with the local advertising and promotion regulations. Regulation of advertising in Germany is a mix between basic rules and voluntary guidelines developed by the major industry associations. As established early in the 20th century, the "Law Against Unfair Competition" allows for suits to be brought upon responsible parties if their advertising campaigns "violate good manners" or best-practices. Many advertising practices that are common in the United States, such as offering premiums, are not allowed in Germany. Any planned advertising campaigns should be discussed with a potential business partner or an advertising agency in Germany. The contact information for the German association of advertising agencies is as follows:

German Association of Advertising Agencies

(Gesamtverband Kommunikationsagenturen e.V.)
Friedensstrasse 11
60311 Frankfurt a. M.
Tel.: +49-69-25 60 0 80
Fax: +49-69-23 68 83
www.gwa.de
Email: info@gwa.de

Book Fairs & Exhibitions

Frankfurt Book Fair/Ausstellungs- und Messe-GmbH

Reineckstr. 3
D-60313 Frankfurt/Main
Tel: +49 -69-2102 -0
Fax: +49 -69-2102 -227
www.buchmesse.de
E-mail: info@book-fair.com

Leipziger Messe GmbH

Messe -Allee 1
D-04356 Leipzig
Tel: +49 -341 -678 -8240
Fax: +49 -341 -678 -8242
www.leipziger-messe.de
Email: info@leipziger-messe.de

For More Information

US Commercial Service Hamburg
Consulate General of the United States
Alsterufer 27-28

D-20354 Hamburg
Tel. +49-40-411 71-313
Fax. +49-40-410 6598
E-mail: Sebastian.Koehler@mail.doc.gov

The U.S. Commercial Service Germany can be contacted via e-mail at: hamburg.office.box@mail.doc.gov, website: <http://www.buyusa.gov/germany/en/>.

You can locate your nearest U.S. Export Assistance Center, as well as Commercial Service offices overseas by visiting www.buyusa.gov

To the best of our knowledge, the information contained in this report is accurate as of the date published. However, The Department of Commerce does not take responsibility for actions readers may take based on the information contained herein. Readers should always conduct their own due diligence before entering into business ventures or other commercial arrangements. The Department of Commerce can assist companies in these endeavors.